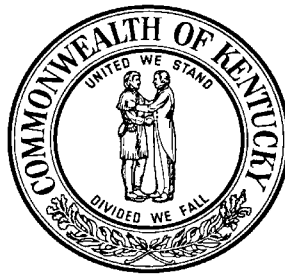


**REPORT OF THE AUDIT OF THE
PIKE COUNTY
SHERIFF'S SETTLEMENT - 2001 TAXES AND
SHERIFF'S SETTLEMENT - 2001 UNMINED COAL TAXES**

August 26, 2002



**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
www.kyauditor.net**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Karen Gibson, CPA, Pike County Judge/Executive

Honorable Charles Keesee, Pike County Sheriff

Members of the Pike County Fiscal Court

The enclosed report prepared by Berger & Ross, PLLC, Certified Public Accountants, presents the Pike County Sheriff's Settlement - 2001 Taxes and 2001 Unmined Coal Taxes.

We engaged Berger & Ross, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; Evans, Berger & Ross, PLLC, evaluated the Pike County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.

Auditor of Public Accounts

Enclosure



**AUDIT EXAMINATION OF THE
PIKE COUNTY
SHERIFF'S SETTLEMENT - 2001 TAXES AND
2001 UNMINED COAL TAXES**

August 26, 2002

Berger & Ross, PLLC
Certified Public Accounts and Fraud Examiners
800 Envoy Circle
Louisville, KY 40299-1837
(502) 499-9088
Fax: (502) 499-9132

400 Democrat Drive
Suite 2107
Frankfort, KY 40601
(502) 695-7353

EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
PIKE COUNTY
SHERIFF'S SETTLEMENT - 2001 TAXES AND
2001 UNMINED COAL TAXES

August 26, 2002

Berger & Ross, PLLC, has completed the audit of the Sheriff's Settlement - 2001 Taxes and the Sheriff's Settlement 2001 Unmined Coal Taxes for Pike County Sheriff as of August 26, 2002. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Sheriff collected net taxes of \$16,212,267 for the districts for 2001 taxes. Sheriff distributed taxes of \$16,206,273 to the districts for 2001 Taxes. Taxes of \$87 are due to the districts from the Sheriff and refunds of \$301 are due to the Sheriff from the taxing districts.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

Prior Year Report Comments:

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Additional Collateral Of \$1,713,995 To Protect Deposits.

CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT	1
SHERIFF'S SETTLEMENT - 2001 TAXES.....	3
SHERIFF'S SETTLEMENT - 2001 UNMINED COAL TAXES	5
NOTES TO FINANCIAL STATEMENTS	6
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	11



Bob Ross, MBA, CPA, CFE
Todd A. Berger, CPA

(502) 499-9088
800 Envoy Circle
Louisville, Kentucky 40299-1837

FAX: (502) 499-9132
Email: lrrescue@msn.com
Internet: www.lrsrsc.com

Mission:
We are committed to providing the highest quality of service to our clients. We are committed to the integrity of the accounting profession and to the public interest. We are committed to the highest standards of ethical behavior and to the highest standards of professional competence. We are committed to the highest standards of customer service and to the highest standards of business ethics.

To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Karen Gibson, CPA, Pike County Judge/Executive
Honorable Charles "Fuzzy" Keesee, Pike County Sheriff
Members of the Pike County Fiscal Court

Independent Auditor's Report

We have audited the Pike County Sheriff's Settlement - 2001 Taxes and the Sheriff's Settlement - 2001 Unmined Coal Taxes as of August 26, 2002. These tax settlements are the responsibility of the Pike County Sheriff. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the Pike County Sheriff's taxes charged, credited, and paid as of August 26, 2002, in conformity with the modified cash basis of accounting.

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Karen Gibson, CPA, Pike County Judge/Executive

Honorable Charles "Fuzzy" Keesee, Pike County Sheriff

Members of the Pike County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated September 13, 2002, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed -
September 13, 2002

PIKE COUNTY
CHARLES KEESEE, SHERIFF
SHERIFF'S SETTLEMENT - 2001 TAXES

August 26, 2002

	County Taxes	Special Taxing Districts	School Taxes	State Taxes
<u>Charges</u>				
Real Estate	\$ 1,500,188	\$ 1,363,328	\$ 4,705,576	\$ 1,619,250
Tangible	511,309	410,090	1,507,453	1,545,309
Intangible	-	-	-	197,074
Fire Acreage	7,320	-	-	-
Solid Waste	2,389,572	-	-	-
Additional Bills	4,778	4,286	13,453	5,465
Oil, Gas, Limestone, Sand, and Gravel	331,460	301,203	1,365,311	357,783
Total Per Sheriff's Official Receipt	\$ 4,744,627	\$ 2,078,907	\$ 7,591,793	\$ 3,724,881
<u>Other Taxes and Charges</u>				
Penalties & Interest	16,619	11,842	45,885	15,135
Franchise Corporation	229,739	188,944	723,524	-
Gross Chargeable to Sheriff	\$ 4,990,985	\$ 2,279,693	\$ 8,361,202	\$ 3,740,016
<u>Credits</u>				
Exonerations	\$ 323,676	\$ 17,633	\$ 76,535	\$ 19,977
Delinquents	2,234,157	221,433	903,791	400,787
Unpaid Franchise	65	55	254	-
Discounts	33,553	28,706	103,100	55,348
Total Credits	\$ 2,591,451	\$ 267,827	\$ 1,083,680	\$ 476,112
Net Tax Yield	\$ 2,399,534	\$ 2,011,866	\$ 7,277,522	\$ 3,263,904
Less: Commissions*	102,268	85,504	109,163	139,003
Taxes Due Districts	\$ 2,297,266	\$ 1,926,362	\$ 7,168,359	\$ 3,124,901
Taxes Paid	2,296,524	1,925,694	7,274,551	3,124,011
Less: Refunds (Current & Prior Year)	827	749	3,104	892
Add: Commission Refunds From School	-	-	109,163	-
Refund Due Sheriff				
as of Completion of Fieldwork	\$ (85)	\$ (81)	\$ (133)	\$ (2)

* and ** See Page 4

The accompanying notes are an integral part of these financial statements.

PIKE COUNTY
CHARLES KEESEE, SHERIFF
SHERIFF'S SETTLEMENT - 2001 TAXES
August 26, 2002

*Commissions:	10% on	\$	10,000
	4.25% on	\$	7,665,304
	1.5% on	\$	7,277,522
**Special Taxing Districts:			
Library District		\$	(42)
Health District			(28)
Extension Service District			(11)
			<hr/>
Due Districts (Refund Due Sheriff)		\$	(81)
			<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

PIKE COUNTY
CHARLES KEESEE, SHERIFF
SHERIFF'S SETTLEMENT - 2001 UNMINED COAL TAXES

August 26, 2002

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Sheriff's Official Receipt for				
Unmined Coal	\$ 235,425	\$ 213,938	\$ 969,729	\$ 254,110
Omitted Bills	5,715	5,145	23,544	6,233
Additional Bills	18,699	16,991	77,024	20,187
Penalties	<u>723</u>	<u>657</u>	<u>2,977</u>	<u>780</u>
Gross Chargeable to Sheriff	\$ 260,562	\$ 236,731	\$ 1,073,274	\$ 281,310
<u>Credits</u>				
Exonerations	\$ 3,290	\$ 2,990	\$ 13,551	\$ 3,551
Delinquents	8,230	7,431	33,903	8,947
Discounts	<u>3,988</u>	<u>3,624</u>	<u>16,427</u>	<u>4,305</u>
Total Credits	<u>\$ 15,508</u>	<u>\$ 14,045</u>	<u>\$ 63,881</u>	<u>\$ 16,803</u>
Net Tax Yield	\$ 245,054	\$ 222,686	\$ 1,009,393	\$ 264,507
Less: Commissions*	<u>10,415</u>	<u>9,464</u>	<u>15,141</u>	<u>11,241</u>
Taxes Due Districts	\$ 234,639	\$ 213,222	\$ 994,252	\$ 253,266
Taxes Paid	234,550	213,141	1,008,937	253,169
Less: Refunds (Current and Prior Year)	89	81	369	97
Add: Commission Refunds From School	<u>-</u>	<u>-</u>	<u>15,141</u>	<u>-</u>
Taxes Due Districts(Refund Due Sheriff)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 87</u>	<u>\$ -</u>
*Commissions:	4.25% on	\$ 732,247		
	1.5% on	\$ 1,009,393		

The accompanying notes are an integral part of these financial statements.

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS

August 26, 2002

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statements have been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue, which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue, which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of August 26, 2002, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

PIKE COUNTY
NOTES TO FINANCIAL STATEMENTS
August 26, 2002
(Continued)

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2001. Property taxes were billed to finance governmental services for the year ended June 30, 2001. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 7, 2001 through June 15, 2002.

B. Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 2001. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was December 17, 2001 through June 15, 2002.

Note 4. Interest Income

The Pike County Sheriff earned \$3,701 as interest income on 2001 taxes. As of September 13, 2002, the Sheriff owes \$5 in interest to the school district and \$138 in interest to the fee account from the Real Property Tax account, and the Sheriff owes \$21 in interest to the school district and \$19 to the fee account from the Unmined Coal Tax account.

Note 5. Sheriff's 10% Add-On Fee

The Pike County Sheriff collected \$63,870 of 10% add-on fees allowed by KRS 134.430(3). This amount was used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Pike County Sheriff collected \$2,961 of advertising costs allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees were used to operate the Sheriff's office.

Note 7. Unrefundable Duplicate Payments and Unexplained Receipts Should Be Escrowed

The Sheriff should deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. According to KRS 393.110, the Sheriff should properly report annually to the Treasury Department any unclaimed moneys. After seven years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer. For the 2001 taxes, the Sheriff had \$3,287 in unrefundable duplicate payments and unexplained receipts. Therefore, the Sheriff should send a written report to the Treasury Department.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Certified Public Accountants
Consultants & Fraud Examiners

Bob Ross, MBA, CPA, CFE

Todd A. Berger, CPA

(502) 499-9088

800 Envoy Circle

Louisville, Kentucky 40299-1837

FAX: (502) 499-9132

Email: irsrescue@msn.com

Internet: www.irsrescue.com

Members:

American Institute of Certified Public Accountants
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National Association of Government Accountants
National Association of Government Auditors

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Honorable Charles "Fuzzy" Keesee, Pike County Sheriff

Members of the Pike County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of The Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the Pike County Sheriff's Settlement - 2001 Taxes and 2001 Unmined Coal Taxes as of August 26, 2002, and have issued our report thereon dated September 13, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Pike County Sheriff's Settlement - 2001 Taxes and 2001 Unmined Coal Taxes as of August 26, 2002 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Pike County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Harkness". The signature is fluid and cursive, with a horizontal line extending from the end.

Berger & Ross, PLLC

Audit fieldwork completed -
September 13, 2002

